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THE

Demand and Price

SITUATION

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SUMMARY

Prices of farm products recovered part of the sharp decline which occurred in early February, but average prices received by farmers on February 15 were still 4 percent lower than in mid-January. Since mid-July prices received by farmers have declined an average of 2 percent a month. They are now 16 percent below the January 1948 peak. For the most part, declines during 1948 and in early 1949 represented adjustments to sharply increased supplies of many agricultural commodities and substantial improvement in the world food situation.

While economic activity continues at a high level, easing tendencies have become more pronounced. Employment in January declined somewhat more than seasonally and unemployment was up sharply. In February, unemployment continued to increase but at a slower rate. Salary and wage payments, the most important element in the flow of income to individuals, have also declined slightly. Despite widespread sales promotions, sales at department stores, after a sharp advance in late December and early January, have dropped below the level of a year ago.

Commodity highlights

Meat production decreased seasonally from December to February but prices of meat and meat animals continued to decline, probably reflecting slackening employment and wage income. Although meat production so far this year has been about the same as in the same period in 1948, beginning in the second quarter, meat output will exceed that in the corresponding months a year ago. The price support program announced for butter and the purchase program for nonfat dry milk, are likely to prevent further declines in prices of manufactured dairy products. Commercial broiler marketings are still increasing and further price

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1947	1948				1949
		Year	Jan.	Oct.	Nov.	Dec.	Jan.
Industrial production <u>1/</u>	1935-39						
Total.....	=100	187	193	195	195	192	191
All manufactures.....	do.	194	201	202	201	199	198
Durable goods.....	do.	220	229	230	229	231	229
Nondurable goods.....	do.	172	178	179	178	173	174
Minerals.....	do.	149	154	158	161	156	151
Construction activity <u>1/</u>	1935-39						
Contracts, total.....	=100	274	333	321	329	314	
Contracts, residential.....	do.	348	373	385	377	355	
Wholesale prices <u>2/</u>							
All commodities.....	1926=100	152	166	165	164	162	161
All commodities except farm and food.....	do.	135	148	153	154	153	153
Farm products.....	do.	181	199	184	181	177	172
Food.....	do.	169	180	178	174	170	166
Prices received and paid by farmers <u>3/</u>	1910-14						
Prices received, all products.....	=100	278	307	277	271	268	268
Prices paid, int. and taxes.....	do.	231	251	249	248	248	248
Parity ratio.....	do.	120	122	111	109	108	108
Consumers' price <u>5/ 6/</u>	1935-39						
Total.....	=100	159	169	174	172	171	171
Food.....	do.	194	210	212	208	205	205
Nonfood.....	do.	140	146	152	152	152	152
Income							
Nonagricultural payments <u>4/</u>	Bil.dol.	174.9	184.3	195.6	196.3	197.1	
Income of industrial workers <u>3/</u>	1935-39						
	=100	332	359	378	375	374	
Factory payrolls <u>5/</u>	do.	353	382	408	403	402	
Weekly earnings of factory workers <u>5/</u>							
All manufacturing.....	Dollars	49.25	52.07	54.54	54.47	55.01	
Durable goods.....	do.	52.45	55.46	59.20	58.53	59.32	
Nondurable goods.....	do.	45.87	48.45	49.68	50.42	50.17	
Employment							
Total civilian <u>7/</u>	Millions	58.0	57.1	60.1	59.9	59.4	57.4
Nonagricultural <u>7/</u>	do.	49.8	50.1	51.5	51.9	52.1	50.7
Agricultural <u>7/</u>	do.	8.3	7.1	8.6	8.0	7.4	6.8
Government finance (Fed.)							
Income, cash operating.....	Mil.dol.	3,909	4,552	2,319	3,234		
Outgo, cash operating.....	do.	3,431	2,566	2,835	3,509		
Net cash opr. income or outgo.....	do.	+ 478	+1,986	- 516	- 275		

Annual data for the years 1929-47 appear on page 17 of the March 1948 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Dept. of Labor, BLS. 3/ U. S. Dept. of Agriculture, BAE, to convert prices received and prices paid, interest and taxes, to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rate. 5/ U. S. Dept. of Labor, BLS. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of the Census. 8/ U. S. Dept. of Treasury. Data for 1947 are on average monthly basis.

declines are probable. Egg prices continue to decline seasonally. The total supply of fats and oils in the United States in October 1948-September 1949 may be 400 to 500 million pounds larger than the 12.7 billion pounds available a year earlier.

In mid-February, the average price of corn was 32 cents below the national average loan rate but is expected to increase this spring. Cash wheat prices in late February were again moderately above loan levels; they were 15 cents below the loan earlier in the month. With supplies of most fruits smaller, prices in March and April are expected to be moderately higher than a year ago. Prices which growers will receive for most truck crops grown for commercial processing are expected to be about as high this year as last. The price support for 1949 crop potatoes will be about one-third lower than for the 1948 crop.

Much larger exports of cotton so far this season have more than offset a substantial decline in domestic mill consumption. A strong demand is expected for the 1948 Maryland tobacco crop, which will be auctioned in the spring.

OUTPUT AND EMPLOYMENT

Output of manufactured goods in January was maintained at about the December level but production of minerals was reduced. Stocks of coal and oil have increased sharply recently partly reflecting unseasonably warm weather in the East. Total industrial production, as measured by the Federal Reserve Board index seasonally adjusted, declined 1 point from December to 191 (1935-39=100) in January, 2 points below January a year earlier, and 4 points below the postwar peak of 195 in October and November 1948.

Durable goods production in January declined slightly from the December level. At 229, the index of durable goods output, seasonally adjusted, was the same as January a year earlier and 2 points below the postwar peak of 231 in December 1948. An increase of about 2 percent in the production of iron and steel from December to January offset slight declines in machinery and lumber production. Steel output was at a record rate in January while model changeovers continued to affect automobile production. Output in other durable groups remained virtually unchanged from the December level.

Durable goods production continued strong in early February. Output of steel was at capacity and automobile model changeovers were almost completed.

Increases in output of paper and paper products, textiles, and tobacco products brought the January index of nondurable goods production up slightly from December. The index of nondurable goods output, seasonally adjusted, was 174 in January, 1 point above December but 4 points below January a year earlier and 6 points below the postwar peak of 180 in February 1948.

The production of minerals in January declined moderately from December reflecting a sharp drop in the production of anthracite coal and a 3 1/2 percent decline in crude petroleum production. The index of minerals production declined to 151 in January, 5 points below December, 3 points below January a year earlier and 11 points below the peak of 162 in May 1948.

Total employment declined more than seasonally from December to January. In January, the total number of persons employed was estimated at 57.4 million persons, 2 millions below December, although still 300,000 higher than in January a year earlier. The December to January decline in total employment was the largest monthly drop since the war's end. Nonagricultural employment in January was down 1.4 million persons from December and was estimated at 50.7 millions. This was still 700,000 more persons employed in nonagricultural occupations than in January 1948. However, there were fewer full-time workers than a year ago. Total hours worked in nonagricultural industries in January were 4 percent less than in January 1948.

The civilian labor force declined seasonally from December to January with a net withdrawal of about 1.3 million persons from the labor force. This reduction was less than the decline in employment and unemployment increased by 700,000 persons, the largest monthly rise since the end of the war. The number unemployed in January was estimated at 2.7 million persons, compared with almost 2.0 millions in December and 2.1 millions in January a year earlier. Based on the recent trends in claims for unemployment compensations, unemployment in February was somewhat greater than in January but did not increase as much as from December to January.

INCOME AND RELATED FACTORS

The seasonally adjusted annual rate of personal income increased slightly from 219.9 billions in November to 220.8 billion dollars in December. This compares with 207.7 billions in December 1947. Increases from November to December in such nonwage income as proprietor's and rental income, and dividends and interest, more than offset a decline in salary and wage receipts.

Salary and wage receipts, seasonally adjusted, declined to an annual rate of 137.3 billion dollars in December, .7 billions below November but about 10 billions greater than in December 1947. The November to December decline in salary and wage receipts was the first month-to-month drop since last April and was due chiefly to a small decline in factory employment. The continued rise in unemployment in January and February indicates that salary and wage receipts continued to decline in early 1949.

Although down substantially from December, dollar sales at department stores, seasonally adjusted, were still slightly above a year earlier in January. The Federal Reserve Board's index of dollar sales, seasonally adjusted, declined to 290 (1935-39=100) in January, 6 percent below

December, but 1 percent above January a year earlier. Despite wide-spread sales promotions, sales weakened somewhat during the last week in January and in most of February, and dropped below levels of a year earlier, resuming a trend which began in early November and carried thru the first 2 weeks of December.

Total business inventories at the end of December were estimated at 54.0 billion dollars, a decline of 1.4 billions from November, but 6 billions greater than in December a year earlier. Inventories in Manufacturers' hands in December were almost .6 billion dollars greater than in November, but this was offset by declines of .2 billions in wholesalers' stocks and 1.7 billions in retailers' stocks. The November to December decline in retailers' stocks exceeded the usual decline for that period by about 200 million dollars. The entire decline, after seasonal adjustment, occurred in nondurable-goods stores in part as a result of lower prices.

Increases in stocks from year-ago levels occurred at all stages. Manufacturers' inventories were up about 3.8 billions or about 14 percent; wholesalers' inventories, 1.5 billions, or 12 percent; and retailers' inventories, .8 billion or 11 percent.

COMMODITY PRICES

Commodity prices, which have been falling since last summer with the harvesting of record crops, dropped sharply in early February but recovered partially later in the month. The BLS monthly all-commodity index of wholesale prices in January dropped to 160.6 (1926=100) the lowest level since November 1947, about 1.0 percent lower than in December and 5.3 percent below the peak in August. The decline in the general price level since August was due almost entirely to price declines for farm products and foods. Prices of industrial commodities, as a group, were practically unchanged.

In the first week of February, sharp declines occurred in the wholesale prices of many commodities, primarily farm products and foods. Within a week, the BLS daily index of 28 commodities declined 6 percent. By the end of the month, prices had recovered about two-thirds of the drop. Prices of domestic agricultural commodities included in this sensitive index dropped 7 percent in the first week of February but by the end of February were at about the same level as at the beginning of the month.

In early February 1948, a price break also occurred. In two weeks, the index of 28 commodities declined 8 percent. The domestic agricultural component of that index was down 13 percent. However, the decline in February 1948 was from the postwar peak in farm product prices whereas the current drop happened after substantial price declines had already occurred.

Recovering from the abrupt drop earlier in the month average wholesale prices in late February, as measured by BLS weekly index were only slightly lower than in late January (Table 1). In contrast to the pattern since last August, the decline from late January to late February was largely a reflection of lower prices for commodities other than farm

products and foods. Wholesale prices of farm products and foods in late February were 1 percent above those of late January. However, price declines occurred in textiles, leather products and fuel and lighting materials. Compared with a year ago, the all commodity price index was down 2 percent, with an 11 percent decline in prices of farm products and an 8 percent drop in food prices. Industrial commodities averaged 4 percent higher than in late February 1948. Prices of metals and metal products were sharply higher and were the only group to increase during February 1949.

Table 1.-Group indexes of wholesale prices, week ended February 22, 1949, with comparisons

Group	(1926=100)				
	: Week	: Week	: Week	: Week ended Feb. 22, 1949	
	: ended	: ended	: ended	: Percentage change from	
	: Feb. 22, 1949	: Jan. 25, 1949	: Feb. 24, 1948	: Week ended Jan. 25, 1949	: Week ended Feb. 24, 1948
All commodities	: 158.5	158.8	159.9	- .2	- .9
Farm products	: 169.6	167.9	183.5	+ 1.0	- 7.6
Foods	: 160.8	159.2	170.7	+ 1.0	- 5.8
All other than farm and food	: 152.2	153.6	147.5	- .9	+ 3.2
Textile products	: 142.2	143.6	148.3	- 1.0	- 4.1
Fuel and lighting materials	: 135.9	138.0	130.8	- 1.5	+ 3.9
Metals and products	: 178.1	177.9	155.6	+ .1	+ 14.5
Building materials	: 201.3	200.8	193.0	+ .2	+ 4.3
All other	: 131.2	133.5	134.9	- 1.7	- 2.7

Average prices received by farmers on February 15 were the lowest in over 2 years. The BAE index of prices received by farmers in mid-February was 258, 4 percent below January and 16 percent below the peak in January 1948. Since prices of farm products began to fall in August 1948, prices received by farmers have dropped an average of 2 percent each month.

Between mid-January and mid-February crop prices declined 2 percent, while prices of livestock and products were off 5 percent. Among crops, average prices received for feed grains and hay, food grains, and oil-bearing crops declined substantially. Accounting for the drop in average prices of livestock and products were declines of 5 percent in prices of meat animals, 4 percent in dairy products and 9 percent in poultry and eggs.

In mid-February, crop prices were 9 percent below those of a year earlier, while prices of livestock and products were off 7 percent. Prices received for feed grains and hay, oil-bearing crops, food grains and truck crops were off sharply from a year ago. In the livestock and products group, dairy products prices were down 14 percent and those of meat animals, 5 percent. Prices received for poultry and eggs, averaged about the same as a year earlier.

Table 2.- Group indexes of prices received by farmers
February 15, 1948, with comparisons

(August 1909-July 1914=100)

Group				February 15, 1949	
	Feb. 15,	Jan. 15,	Feb. 15,	Percentage change from	
	1949	1949	1948	Jan. 15,	Feb. 15,
				1949	1948
Food grains	221	232	251	- 5	- 12
Feed grains and hay	173	187	261	- 7	- 34
Cotton	235	236	248	1/	- 5
Tobacco	412	412	374	0	+ 10
Oil-bearing crops	244	274	333	- 11	- 27
Fruit	181	180	136	+ 1	+ 33
Truck crops	285	282	320	+ 1	- 11
All crops	233	238	257	- 2	- 9
Meat animals	315	330	331	- 5	- 5
Dairy products	264	275	307	- 4	- 14
Poultry and eggs	218	240	218	- 9	0
Livestock and products	280	295	300	- 5	- 7
Crops and livestock and products	258	268	279	- 4	- 8

1/ Less than one-half percent decrease.

Average prices paid by farmers, including interest and taxes in mid-February were also down from a month earlier. The BAE index of prices paid, interest and taxes was 245, off 3 points from January 1949 and February 1948. Declining prices of feed, food, clothing and building materials accounted for most of the January to February decline in average prices paid by farmers. As a result of the greater decline in prices received relative to prices paid, the parity ratio (index of prices received divided by prices paid, interest and taxes) declined to 105 in mid-February, the lowest since July 1942.

Urban consumers' prices declined for the fourth consecutive month in January chiefly as a result of lower food and clothing prices. The BLS index of consumers' prices was 170.9 (1935-39=100) in January, compared with 171.4 in December and the peak of 174.5 in August and September last year. However, it was still about 1 percent above January 1948.

FARM INCOME

Farmers' cash receipts from marketings in February were about 2 billion dollars, 20 percent below January but 10 percent above February a year ago. The decline from January was due to a seasonal decrease in marketings of both livestock and crops partly because of a shorter month, together with a drop in average prices. The decline in marketings was less than usual, however, particularly for meat animals and corn. This fact accounts for the larger cash receipts this February than last.

Receipts from livestock and products in February were about 1.2 billion dollars, 6 percent below January but 7 percent above February 1948. Farmers received less money from meat animals than in January, but considerably more than a year ago. Marketings of cattle, calves, and hogs began to pick up during the first week in February following curtailed shipments in the latter part of January. But during the first half of February, prices of all types of meat animals dropped below the January level; and although marketings for the entire month were probably close to the January level, cash receipts declined. As compared with a year ago, however, lower prices were offset by larger marketings, and receipts for February were higher.

Milk production in February was below January because of the shorter month, and prices were lower. Cash receipts from dairy products were also below February 1948 because increased production this year did not make up for the substantial decline in prices.

Receipts from poultry and eggs in February were a little below January, with larger production of eggs and broilers more than offset by lower prices. Farmers received a little more money from poultry and eggs than a year ago, however, because of increased sales of broilers.

Receipts from crops in February were probably about two-thirds of the January level. This drop in crop receipts was partly seasonal and partly due to the decline in grain prices during February. Receipts from wheat dropped sharply from January and from a year ago, with declines in both marketings and prices. Receipts from corn were substantially less than in January because of smaller sales and lower prices. However, more corn was sold and loans were greater in February than in the same month last year, so receipts were much higher. Cotton marketings in February were down seasonally from January and receipts were lower. Receipts were above a year ago, however, since marketings were greater. Fruit marketings in February were down seasonally from January and prices remained about the same. Cash receipts from fruits were above February 1948, however, because of higher prices.

Farmers received about 4.5 billion dollars from farm marketings during the first 2 months of 1949, or 4 percent above the same period in 1948. Prices averaged about 10 percent lower than in the first 2 months of

last year, but marketings on the whole were considerably larger. Receipts from livestock and products were about 2.5 billion dollars, down slightly from last year. The drop occurred in meat animals and dairy products, and was due to lower prices. On the other hand, crop receipts in January and February were close to 2 billion dollars, about 15 percent above last year. There were pronounced gains in receipts from corn and cotton, since larger marketings more than offset lower prices. Increased receipts from fruit reflected higher prices.

LIVESTOCK AND MEAT

Prices of most meat animals continued to decline in the first part of February and were far below the peaks of last summer. Prices of hogs were as low as at any time since the end of OPA controls in October 1946, and prices of the better grades of steers were the lowest in about 2 years. Only later in the month did meat-animal prices show a tendency to stabilize.

The decline in prices during the fall and early winter was partly a result of seasonal increases in meat supplies. It apparently was also a readjustment from the unusually high prices of last summer in relation to consumers' incomes. However, more recently, meat production has decreased seasonally, and the continued weakness in prices may reflect the moderate slackening occurring in industrial employment and incomes. Demand for meat and prices of meat and meat animals have always been sensitive to changes in business activity and employment.

Meat production is decreasing seasonally, and total production to date in the first quarter has been about the same as at the same time last year. Beginning in the second quarter of 1949, when hogs will first be marketed in volume from the larger fall pig crop of last year, meat output is expected to exceed corresponding months of 1948. Production for the year probably will be slightly larger than the 1948 total, and consumption per capita for the growing population will be about the same as the 146 pounds consumed in 1948.

This year there will be more beef of the better grades that come from grain-fed cattle, and more pork, but less of other kinds of meat.

Storms have continued to handicap ranchers in many parts of the West and have caused more deaths of livestock than usual. In the storm-swept sections of South Dakota, Nebraska, Wyoming and Colorado, approximately 81,000 cattle and 97,000 sheep and lambs had perished up to February 1. These losses were 2 percent of the cattle and 5 percent of the stock sheep on hand in those areas, January 1. In spite of heavy supplementary feeding, livestock are in a weakened condition. The condition of cattle in Western States on February 1 was reported as the lowest since 1935, and the condition of sheep was the lowest in 26 years or record. In the storm areas, calf and lamb crops will be reduced considerably.

More hogs and cattle, but fewer sheep, horses, and mules, were reported on farms and ranches this January 1 than a year ago. Cattle numbers increased slightly in 1948 for the first time since 1944, although the gain represented a larger number on feed rather than a larger breeding herd. Numbers of

milk cows declined again, but numbers of beef cows held about even during the year. Numbers of hogs also increased last year. As prospects for a good corn crop became apparent last summer, farmers increased their fall pig crop by 8 percent over the fall crop of 1947. They also held more breeding stock for spring farrowing. As a result, hog numbers on January 1, 1949 were 4 percent larger than a year earlier.

Sheep numbers were again reduced substantially in 1948. There were only 28 million stock sheep on January 1, 1949 compared with a peak of 49 million in January 1942. Horses and mules are still giving way to mechanical power, and numbers are only about one-third of their all-time high.

DAIRY PRODUCTS

Further substantial declines in prices of manufactured dairy products are not likely in the first half of 1949 even though output will increase seasonally. Prices of all items declined substantially in the latter half of 1948 and some declined further in early 1949. In mid-February, as compared with a year earlier, prices ranged from about the same for canned milk to 30 percent lower for butter and cheese. Steady or possibly higher prices for the next several months may result from the price support program announced for butter (designed to yield farmers 90 percent of parity for butterfat for the year as a whole); and a purchase program for nonfat dry milk in anticipation of future requirements.

Prices of milk for fluid uses will decline somewhat in coming months but the premium over prices of manufacturing milk is likely to remain relatively large for some time. Retail prices of fluid milk have increased relative to consumer incomes during the past 3 years and consumption has declined. Per capita consumption in 1948 (preliminary) was 388 pounds compared with 400 in 1947, the record of 432 in 1945 and the prewar average of 340 in 1935-39. There may be a further decline in consumption during 1949 in both ice cream and fluid milk and cream. Per capita consumption of butter, on the other hand, may be a little larger than in 1948 though still around 35 percent below prewar. For other items, consumption in 1948 will be about the same as in 1947, though substantially above prewar.

The number of milk cows on farms January 1, 1949 was 2 percent smaller than a year earlier, making 4 years of continuous decline. The decline the past year, as in previous years, was largest and most general in midwest and southwest areas. Numbers of cows in the United States probably will continue to decline through most of 1949, with the drop accounted for by interior portions of the country. A higher rate of milk production per cow, however, will slightly more than offset any decline in number of cows.

POULTRY AND EGGS

Egg prices continued to decline seasonally between January 15 and February 15. The February 15 egg price of 41.8 cents per dozen was down 5.3 cents from January 15, but only 3.2 cents lower than a year earlier.

Farm egg production in January was a record high, 6 percent larger than in January 1948, despite adverse weather in the Great Plains and Western States.

In contrast to 1948, when price support purchases did not begin until May, the Department of Agriculture by February 19 had purchased the equivalent of 23 million dozen eggs in dried form. Continuation of the 35 cent minimum price provision through May has already been announced. Under this provision, processors must certify that they paid producers at least 35 cents per dozen in the Midwest for eggs used for drying, the same minimum in effect through all of 1948 and early 1949.

Per capita consumption in 1948 of 388 eggs was the second highest on record. Both farm and retail prices averaged the highest on record. The Department of Agriculture purchased the equivalent of 85 million dozens - as compared to 268 in 1947 - to maintain the annual average farm price at 90 percent of parity. Per capita consumption in 1949 may average close to 380 eggs, with production slightly larger than in 1948.

About 7 percent more farm chickens will be raised in 1949 than in 1948, according to farmers' intentions as of February 1 to purchase baby chicks. With commercial broiler production likely to be at least as large as in 1948, total supplies of chicken will be slightly larger. With turkey output probably up 25 percent - as indicated by January 1 farmers' intentions to purchase poults - turkey supplies for the year as a whole also will be larger.

Prices received by farmers for chickens declined 1.2 cents from January 15 levels to 29.5 cents per pound on February 15, and turkey prices were off to 44.1 cents per pound, 5.2 cents below January 15. On February 15, 1948, farm chicken prices averaged 26.0 cents per pound, and turkeys 37.3 cents per pound. Current market supplies of heavier chickens and turkeys continue smaller than last year.

Commercial broiler marketings are still increasing. Prices in all areas have declined since mid-December. The price at Salisbury, Maryland declined about 5 cents per pound between December 15, 1948, and mid-February 1949. Further price declines are probable with continued large marketings in prospect for the next few months. Chick placements in 7 commercial broiler areas remained at record levels through mid-February.

FATS, OILS, AND OILSEEDS

On February 10 the Secretary of Commerce announced removal of restrictions on exports of all fats, oils, and oilseeds from the United States to all countries except to the "R" countries, which comprise all European countries, including the USSR and Turkey, and parts of North Africa. Validated licenses are required to export to these countries but are being granted freely for fats, oils and oilseeds going to most West European and Mediterranean countries. International allocations of world export supplies of fats and oils by the International Emergency Food Committee also were discontinued February 10. United States restrictions on exports of inedible fats and oils had been terminated February 7.

Licenses are still required to import into the United States all major fats, oils, and oilseeds except castor beans and castor, oilseeds, tung, and marine oils.

Before the removal of export controls, a total of 958 million pounds of fats, oils, and oil equivalent of oilseeds had been allocated for export licensing in October 1948-March 1949. These allocations were only made after assurance that dollar exchange was available to cover the quantities allocated. In addition, there was a carryover on October 1, 1948 of about 100 million pounds that had been licensed but not yet shipped. These data indicate that total exports of fats, oils, and oilseeds in the year beginning October 1948 will be well above 1 billion pounds in terms of oil, compared with 946 million pounds a year earlier. The total supply of fats and oils in the United States in 1948-49 (beginning stocks, production, and imports of fats and oils, plus oil equivalent of oilseeds for export) may be 3 to 4 percent larger than the 12.7 billion pounds available a year earlier.

Prices of most fats and oils other than butter continued to decline through February 9, but following that date recovered somewhat. On February 9, the index number of 26 major fats and oils, excluding butter, was about 165 (1935-39=100) compared with an average of 279 in October 1947-September 1948 and about 150 during most of the war, when ceilings were in effect.

CORN AND OTHER FEEDS

The sharp drop in late January and early February brought prices of feed grains down 15 to 30 cents per bushel and many of the byproduct feeds dropped 10 to 20 dollars per ton below the levels in December and early January. Prices of many feeds reached new lows for the current feeding season. During the last half of the month, prices of most feeds advanced from the low levels reached early in February but remained lower than in December. In mid-February the average price of corn was 32 cents below the national average loan rate. This spring the price of corn is expected to increase from the February level, with the loan rate and larger exports the principal price-influencing factors.

Stocks of feed grains on January 1 were much larger than in any previous year in relation to the livestock on farms. While the record large stocks of feed grains on January 1 were more than one-half larger than a year earlier, the number of livestock in terms of grain-consuming animal units was about the same and was smaller than in any other year since 1939. Disappearance of feed grains during the remainder of the feeding season is expected to be considerably larger than a year earlier, as livestock numbers increase and farmers continue to feed liberally. Much of the increased feeding will be in corn. Wheat feeding during the current feeding year is expected to be the smallest since before the war, while the total quantity of byproduct feeds available for livestock feeding is expected to be about the same as in 1947-48.

In the first half of 1949, exports of feed grains probably will total around 3 million tons compared with only 504,000 tons in the first half of 1948. Exports of corn are expected to total around 125 million bushels during the October-September marketing year. In the first quarter 19 million bushels were exported. Through February about 54 million bushels of 1948 corn had been purchased by the Government for export.

Receipts of corn at primary markets have fallen off much more than seasonally since the record large movement in November. January receipts were slightly smaller than the average for the past 5 years, but were larger than the small receipts in January 1948. In the first half of February, receipts of corn and other feed grains dropped sharply and were much below average.

WHEAT

Cash wheat prices in late February were again moderately above loan levels, after having declined to 15 cents below at Kansas City on February 9, which compares with 18 cents below on August 2, the low for the season. The sharp decline, which began in mid-January, was associated with sharp price declines in other commodities. The world grain situation is easier than it has been for a number of years, and this undoubtedly had a market influence, even though U. S. exports are expected to round out the 1948-49 year at an all-time record.

If 1948-49 exports are to reach 500 million bushels, about 89 million bushels of wheat would still need to be procured. Of this quantity about 65 million bushels, mostly wheat, would be obtained by CCC, and about 24 million bushels, almost all flour, by private concerns. The quantities to be procured by CCC would be obtained in part by deliveries under the loan and purchase agreement programs.

If 500 million bushels are exported and 685 million bushels are used domestically (food 490, feed 100, and seed 95), with total supplies at 1,484 million bushels, the carry-over next July would amount to about 300 million bushels. If, on the other hand, feed and other items of disappearance turn out to be less than here indicated, the carry-over could amount to nearly 350 million bushels. Even if this should be the case, with 343 million bushels under loan and purchase agreement, market supplies of wheat could become very limited before new crop supplies become available. Unless prices advance sufficiently to cover loan costs, it would be expected that the large quantity under loan and purchase agreement would be delivered to CCC.

FRUIT

With supplies of most fruits smaller than a year ago, prices are expected to increase slightly in March and April. This will mean prices moderately higher than in the same months of 1948, when prices tended to decline under the weight of heavy supplies. Domestic supplies of fresh

fruits will be supplemented as usual by imports of bananas about as large as the prewar volume that was regained in 1947. Commercial exports probably will continue small.

Both grower and terminal market prices for citrus fruits declined slightly in February. A slight rise in prices is expected in March and April. At that time, supplies of grapefruit will begin to decline seasonally, and an increasing percentage of the oranges marketed will consist of the Valencia variety, which usually brings higher prices than the early and mid-season varieties.

The unfavorable weather in January -- cold in California, Arizona, and Texas and warm and dry in Florida -- caused a 14 percent reduction in the 1948-49 citrus crop. In addition to slightly higher prices for the remaining supplies, this will mean less fruit than previously expected for both fresh use and processing. These reductions probably will be most noticeable to consumers during late spring and summer.

Grower prices for apples, which rose considerably in January and slightly in February to levels about 50 percent higher than a year earlier, probably will make small additional gains in March and April. The higher prices for apples this year are the result mainly of the short 1948 crop. The cold-storage stocks remaining from that crop on February 1, 1949 were about 44 percent smaller than the large stocks a year earlier. Grower prices for pears in February were about twice the low prices of February 1948. Only small increases in prices seem probable during March and April, because cold-storage stocks, although 40 percent smaller on February 1 than the large stocks a year earlier, were large for the usual domestic outlets.

Mainly to help producers find outlets for fruit that normally is exported, the Government this season has in operation domestic diversion and export programs for winter pears, a purchase and export program for dried fruits and processed citrus fruits, and export programs for fresh citrus. Fruit already has been moved under all programs, with the largest operations consisting of the Government purchase of about 107,000 tons of 1948-49-crop dried fruits through February 28.

COMMERCIAL TRUCK CROPS

Prices which growers will receive for most commercial truck crops for fresh market shipment in March and April are expected to average slightly to moderately lower than in the same months last year. Winter-season domestic fresh supplies this year have been somewhat smaller than a year earlier. January floods in Mexico reduced the quantities of fresh vegetables available for export to the United States from that country which normally provides a substantial part of the fresh tomatoes, green peppers and green peas that appear on our winter markets. However, supplies of cabbage and dry onions out of storage have been ample at prices considerably lower than in early 1948. The presence of surplus supplies of 1948-crop potatoes at prices moderately lower than last year also have had some influence on truck crop prices.

Acreage of fresh market truck crops for spring season harvest (April, May, June) may be slightly larger than last year and about one-tenth above average, judging from early estimates covering about one-half the total spring acreage.

Prices which growers will receive for most truck crops grown for commercial processing this year are expected to be about as high as last year. Packers' stocks of canned sweet corn, tomato juice, and asparagus this January 1 were substantially higher than a year earlier, and this situation probably will affect contract prices which canners offer to growers. Canners' stocks of peas, however, were moderately lower than on January 1, 1948. Distributors' stocks of canned snap beans, corn, peas, tomatoes, and tomato juice were each much lower than a year earlier.

Total stocks of commercially frozen vegetables in storage February 1 this year were slightly larger than on the same date last year. Of the major items, stocks of frozen lima beans, snap beans, broccoli, and cauliflower were larger this January 1, while stocks of frozen green peas, sweet corn, spinach, pumpkin and squash, and brussel sprouts were smaller.

POTATOES AND SWEETPOTATOES

Prices which farmers will receive for 1948-crop potatoes in March and April probably will be only slightly higher than prices received in February, and moderately lower than those received a year earlier. Merchantable potato stocks in the hands of growers and local dealers in or near the areas of production this February 1 were estimated to be 18 percent larger than a year earlier, but about 10 percent smaller than the record holdings of February 1, 1947. Commercial movement of potatoes out of storage this January was much smaller than in the same month either in 1947 or in 1948. The severe January weather was a considerable factor in retarding movement, particularly in the Western States. Of the total quantity of potatoes which did move out of storage this January, nearly one-third went to the Government under the price-support program.

Price support for 1949 crop potatoes will average about one-third lower than that which applied to 1948 crop potatoes. If abundant supplies of new potatoes become available later in the spring at the new and lower level of support, it will add to the problem of disposing of remaining supplies of old-crop potatoes supported on a relatively higher level.

There has been no new development in the sweetpotato outlook. Supplies available for market continue somewhat smaller than a year earlier, at prices about the same as, to slightly higher than, a year earlier.

COTTON

Spot prices of cotton in February averaged nearly as high as for any other month this season but the monthly average of 32.55 cents was nearly $\frac{1}{4}$ cent below the average for last February. Domestic mill demand has increased in recent weeks while export demand continues good.

Prices of Middling 15/16" averaged 32.56 cents per pound in the ten spot markets on February 28, compared with 32.76 on January 28 and 32.89 on February 28, 1948. Prices dropped about one cent per pound during the general decline in commodity prices in early February but had regained practically all losses by mid-February. Premiums for all grades higher than Middling 15/16" have widened sharply recently. This is due largely to a more urgent demand and relatively tight offerings since much of the high grade cotton has been placed into the government loan.

With much of the better cotton going under loan, prices received by farmers for cotton sold in mid-February averaged 29.14 cents per pound. This was the lowest mid-month average price since June 1946. The mid-February price was 96 percent of parity, compared with 95 percent in January and 100 percent a year ago.

Entries in the government loan from the 1948 cotton crop have declined to about a 70,000 bales per week level. It is expected that if prices should not increase substantially over current levels by March 15, as much as 6.0 million bales may be placed in the loan this season. As of February 17, loan stocks from the 1948 cotton crop were 4,633,300 bales.

Exports of cotton during December were 522,000 bales which brings the season's total to 1,481,000 bales, more than twice the exports through December a year ago. Total domestic consumption during the same period amounted to 3,530,000 bales, compared with 3,785,000 bales for the same period a year earlier. Total disappearance of cotton through December to 5,011,000 bales compared with 4,472,600 for the corresponding period last year.

TOBACCO

The great bulk of the 1948 tobacco crop has been sold at prices that generally exceeded those for the 1947 crop. Most auctions have closed except for some of the fire-cured tobacco. Average prices for flue-cured for the season as a whole were better than 49 cents per pound compared with 41.2 cents in the previous year. Burley prices averaged 46 cents per pound at auctions or $2\frac{1}{2}$ cents less than the 1947 season average. Weekly average Burley prices dropped steadily following mid-January as the larger proportion of lower grades being marketed pulled down the over-all price average. Auction prices of the fire-cured, types 22-23, have been slightly above last season, but Virginia fire-cured, type 21, sold for an average of 32.8 cents or 13 percent above the 1947 crop average. Dark air-cured, types 35-37, auction prices have been about 11 percent higher than last season.

The 1948 Maryland crop will start auctioning in the spring and will have a higher support price because of the legislative change in the base period for computing parity prices. The old base period was August 1919-July 1929 while the new base is the average price received during the more

recent period, August 1936-July 1941. The support level for the coming season is 43.9 cents per pound. The 1947 crop averaged 42.8 cents per pound. In view of the continued high level of cigarette consumption, an active demand for Maryland is expected. Exports of Maryland in 1948 were about 7.8 million pounds or almost one-fourth above each of the preceding 2 years.

Total United States tobacco exports during 1948 were 427 million pounds, one-sixth less than in 1947. The movement of ECA-financed tobacco during 1948 was estimated from ECA reports at approximately 115 million pounds. Tobacco exports during 1949 are expected to exceed those of 1948 with the continuation of the ECA and further recovery in Europe. The British have stated that more tobacco will be procured in 1949 than in 1948 unless there is an adverse change in Britain's dollar position.

Tax-paid withdrawals of cigarettes in January were 28 billion compared with 27 billion in January 1948. Cigar tax-paid withdrawals in January totaled 438 million of which 45 percent retailed at 8 cents or less. In January 1948, the comparable total was 462 million of which 41 percent were in the 8-cents-or-lower price class. Tax-paid withdrawals of manufactured tobacco and snuff in January were 6 and 9 percent lower than in the same month of 1948.

SUGAR

Deliveries of refined sugar to industrial users and wholesalers for the first two months in 1949 were substantially larger than in the corresponding months in recent years. Deliveries by primary distributors through the week ending February 19 have amounted to 909 thousand tons as compared to 621 thousand tons in the same period in 1948. This increase in distribution is due largely to deliveries made on orders placed with refiners and beet processors before the increase in the wholesale price went into effect the first week in January.

Total visible stocks of sugar in the hands of primary distributors January 1, 1949 amounted to 1,493 thousand tons, 23 percent less than the stocks of 1,939 thousand tons on January 1, 1948. Total invisible stocks, that is, sugar in the hands of industrial users, wholesalers, retailers, and households also appear to have been considerably less in January 1949 than in January 1948. Stock levels at the beginning of 1948 were higher because of purchases made in expectation of price rises following the termination of sugar price control on October 31, 1947.

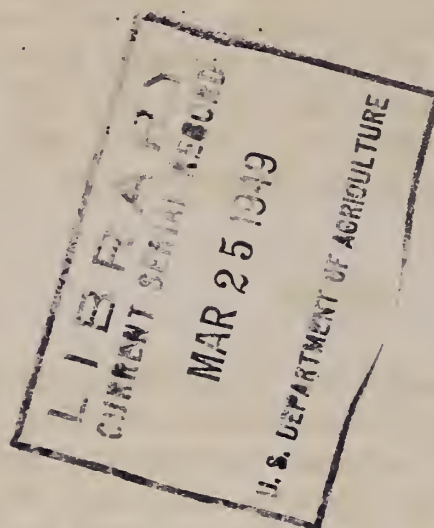
Largely because of the sharp declines in corn prices, the prices of corn sugar and sirup relative to prices of cane and beet sugar, decreased during the last half of 1948 as compared to 1947. As these differentials will probably be maintained for the first half of 1949, an increase in the sales of corn sugar and corn sirup over the first half of 1948 seems likely. Sales of corn sweetenings in 1948 included 355,883 tons of corn sugar and 113,479 thousand gallons of corn sirup.

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